Future Ready

The NIRI Chicago 2019 investor relations workshop focused on the forces shaping the future of IR, exploring economic forecasting, investor activism, ESG issues, corporate access, and more.

BY LISA CIOTA

Where are we going and how do we get there?

These were recurring questions at the 2019 NIRI Chicago Investor Relations Workshop - Vision 20/20: The Future of IR. Approximately 100 IR professionals and service providers gathered at this annual event to gain perspective on economic forecasting; investor activism; environmental, social and governance (ESG) matters; the changing nature of corporate access; and the future of the IR profession.

An Optimistic View

The workshop was headlined by Austan Goolsbee, the 2010-2011 chairman of the President’s Council of Economic Advisers and professor of economics at the University of Chicago Booth School of Business.

Goolsbee riffed on the notion that while we know the past is not predictive of the future, economic forecasts are still overly reliant on historical data and assume a reversion to the mean. Not surprisingly then, economic forecasts often miss the mark because they don’t account for structural changes and uncertainties that may affect future outcomes.

While not predicting the future, Goolsbee is optimistic about the U.S. economy over the long run given key structural factors including positive demographic trends, a highly productive workforce, a deeply entrepreneurial culture and a federal government with a range of fiscal tools to manage future economic headwinds.
Ever-Present Activism

Investor activism will remain an ever-present reality, so the workshop brought together legal, financial market and communications advisors as well as an activist investor to share perspectives and advice.

It should be no surprise the panelists urged IROs to be at the front line of investor intelligence gathering, understand your company’s vulnerabilities and risks against the backdrop of your industry and peers, and have an activism defense crisis plan in place.

The panel unanimously urged companies to engage with activists and be receptive if approached privately as it signals the activist is looking to influence, not fight.

“Don’t back them into corner or force a proxy fight,” advised Keith Gottfried, Morgan, Lewis & Bockius LLP. A company can only lose in the eyes of investors if it goes to a proxy fight. Activists can play the long game and risk nothing in a proxy fight.

When it comes to engagement, Quentin Koffey of Senator Investment Group said, “In the end, no one remembers one year later who suggested what. All they care about is if it worked and created value.”

A final word of advice from the panel: don’t lose focus on business and operational strategies. Performance matters if you want to keep and win investor confidence. The same goes for IR strategy: keep meeting and communicating with investors.

The Future of ESG

The future is now when it comes to environmental, social and governance (ESG) factors. With buy-siders
looking to deliver alpha and differentiate themselves plus research indicating companies with good ESG practices are less volatile and risky, there’s been an outpouring of attention to ESG recently.

The good news for IROs is that investors using ESG screens often have longer-term investment horizons and are more interested in where the company is heading than where it’s been, according to Ross Campbell of Barrow, Hanley, Mewhinney & Strauss, one of the ESG session speakers.

In addition to Campbell, the ESG session featured companies who are early, intermediate, and advanced in their ESG journey including Zebra Technologies, Workiva, and Abbott.

A key theme across all three companies was the importance of dialogue. For those early in the ESG journey, that dialogue is internal, multi-disciplinary and involves deeply understanding the “how” of a company: How does the company set strategy and manage risk (environmental, social or other) and how does the company source/produce/operate and the impacts thereof.

From there, identify and prioritize material ESG key performance indicators (KPIs) that align with the company’s vision, strategies and values. Be sure to consider the perspectives of key stakeholders (employees, customers, communities, investors, etc.) as gleaned from research and dialogue with them. Using this as a foundation, it becomes easier to weave ESG into the context of the company’s story.

The panelists agreed that while ESG frameworks – such as the Global Reporting Initiative (GRI) or Sustainable Accounting Standards Board (SASB) – are useful starting points, any good ESG effort needs to be unique and specific to each company. In addition, it should evolve as the business, strategies, operating environment and stakeholder perspectives change.

**Corporate Access Evolving**

Corporate access is another area where the future is already here. Workshop attendees heard directly from Ariel Investments, Keeley Teton Advisors and the corporate access platform provider, CorpAxe, about buy-siders’ changing approach as they rationalize sell-side relationships – the historical matchmaker of investors with companies.

Buy-siders welcome direct outreach from companies and are happy to coordinate meetings as appropriate. However, they ask IROs do their homework first: know how your company compares with its investment peers and fits within the firm’s portfolio(s).

Also, be sure to schedule an introductory call with the analyst or portfolio manager before meeting, and stay in touch afterward. As for conferences, both Ariel and Keeley continue to find value in them given the efficiency of seeing many companies over a short period of time. They recommend IROs collect business cards and cross-reference them when conducting investor outreach or scheduling non-deal roadshows.

**Future Vision**

Structural changes in the capital markets are affecting the purpose and role of IR within public companies. What this means and how we elevate our profession and careers were among the issues raised by the NIRI Think Tank report, “IR: The Disruption Opportunity,” and was the subject of a workshop dialogue with NIRI President & CEO Gary LaBranche.

LaBranche suggested using the Think Tank report as a roadmap for beginning conversations about the future of IR. The ultimate vision is that IR is recognized as a multi-disciplinary function, which serves as a trusted strategic advisor to, and a representative of, the C-suite.

This means IROs need to know how to build and lead cross-functional teams, understand and balance multiple stakeholder perspectives, and interpret and synthesize critical business matters to ethically drive business and social value.

To that end, IROs should have a big-picture view of the company’s functional and operational areas, develop leadership capabilities, and exhibit executive presence and situational judgement. To make this transition, LaBranche recommends IROs engage in a process of self-assessment and align it with career objectives and personal values.

Lisa Ciota is principal of Lead-IR Advisors, Inc. and an advisory director to the NIRI Chicago Board of Directors; lisa.ciota@leadiradvisors.com.